TALMORA DIAMOND INC.
6 Willowood Court, Toronto, Ontario M2J 2M3

Management's Discussion & Analysis
For the year ending December 31, 2010

Date: April 27, 2011

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financials statements of Talmora Diamond Inc. ("Talmora", or the "Company") for the year ended December 31, 2010 and the year ended December 31, 2009.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The following MD&A may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of management of the Company at the time the statements were made

Listing on CNQ/CNSX

The common shares of Talmora commenced trading on the Canadian Trading and Quotation System Inc. ("CNQ") on May 14, 2007 under the trading symbol "TALM". The trading symbol was changed to "**TAI**" on September 19, 2008. The CNQ was relaunched as the Canadian National Stock Exchange "**CNSX**" on November 6, 2008.

General

The Board of Talmora consists of four members, including;

- Raymond Davies, Ph.D., P.Eng., geologist, former CEO and director of Talmora Resources Inc., former director of Canadian Diamind Limited, director of Ditem Explorations Inc. and director of Dolly Varden Resources Inc.,
- Richard M. Hogarth, retired stock broker, former director of Talmora Resources Inc.,
- Leslie C. Little, a manager with a British investment management firm, and Secretary of Rambler Metals & Mining PLC,
- Joan E. Fiset, a Chartered Accountant with extensive mining industry experience.

Officers of Talmora are Richard M. Hogarth (Chairman), Raymond Davies (President and Chief Executive Officer), Robert T. Owen (Chief Financial Officer), Alan W. Davies (Vice-President Exploration) and Maria Grimes (Corporate Secretary).

Overall Performance

Talmora is a diamond exploration company with one property consisting of 577,153 acres of permits and 54,787 acres of claims on the Horton River, 120 kilometres south of Paulatuk in the Northwest Territories. The property straddles a major linear structure believed favourable for the occurrence of diamondiferous kimberlites. $1,428,389 has been spent on exploration of the property to December 31, 2010.

An airborne magnetic survey has detected anomalies with the characteristics of kimberlite pipes. Till samples taken down-ice of the magnetic anomalies contain 37 times as many kimberlite indicator minerals (KIMs) as till samples taken at random. There is a strong correlation between KIMs and magnetic anomalies.

Management focused in 2009 on asset preservation and acquisition by staking of highly prospective new ground adjoining the Company's original claims.

A Private Placement of $305,929 on June 3, 2009 enabled the Company to fund a small field program in June/July 2009. Potential kimberlite targets were surveyed with an airborne magnetometer and 125 claims were staked over magnetic anomalies west of the previously acquired permits and claims. 51 samples were collected for KIM analysis. A second Private Placement of $289,459 was closed on November 12, 2009 to cover administration costs and to fund the processing of till samples and of geophysical data collected in the field.

Till samples collected down-ice of kimberlite targets on both old and new claims were processed in 2010 for KIMs and a fraction of each till sample has undergone multiple element ICP analysis that shows Mg:Ca ratios (Mg 36.5% of combined Mg + Ca) lower than those found by Sanatana in tills down-ice of the Talmora property and ratios that would be expected from a dolomite source area.

KIMs on the Talmora property match those to the west within the Cretaceous basin and could be the source of the KIMs and accompanying diamonds.

A Private Placement of $165,000 on December 28, 2010 will enable the Company to fund ongoing exploration and administration costs. Additional funds will be required for staking and a limited exploration program in 2011.

The Company's most prospective magnetic anomalies must be tested by drilling. A program costing $2,000,000 - $4,000,000 should confirm whether or not kimberlites are present on the property. Micro-diamond analyses of initial kimberlite samples will determine whether further investigation is warranted in which case an additional budget in the order of $10,000,000 -$15,000,000 would be required. A major financing for a drill program must now be pursued.

Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses.

Selected Annual Information

As at December 31, 2010, the Company had cash and cash equivalents totaling $145,311 and working capital of $135,962.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities during 2010.

Talmora Diamond Inc.			
	Year ended December 31, 2010 ($)	Year ended December 31, 2009 ($)	Year ended December 31, 2008 ($)
Cash, Cash Equiv.	$145,311	$172,878	$38,606
Working Capital	$135,962	$170,075	$52,840
Mineral Exploration– cum.tot.	$1,428,389	$1,347,804	$998,677
Total assets	$1,585,561	$1,564,973	$1,080,868
Total liabilities	$35,410	$24,594	$29,351
Interest Revenues	$756	$3,022	$1,423
Admin. Expenses (incl. bank charges)	$94,798	$91,156	$123,158
Professional Fees	$23,286	$20,288	$25,788
Net (Loss)	($93,427)	($91,122)	($132,798)
Net (Loss) Per Share	($0.003)	($0.003)	($0.006)

Factors Causing Variations

The Company's business is diamond exploration and is currently exploring the Horton River area in the Northwest Territories. The work is seasonal. Field work utilizes helicopters and is very costly and is carried out over relatively short periods of time. Laboratory analysis for kimberlite indicator minerals (KIMs), analysis of data and preparation of assessment work reports is less costly and is spread over much longer periods of time.

Funding has depended on results and has therefore been of a rollercoaster nature. There is high working capital at the start of an exploration phase, a rapid drop after the field work is complete and a long tailing off as data is analysed and reported.

Results of Operations

Horton River Project, NWT

Talmora has one significant project for which it has raised $1,948,388 since August 2004 and on which it has expended $1,428,389 on exploration to December 31, 2010.

Canadian Diamind Limited held 3 prospecting permits on the Horton River, 120 kilometers south of Paulatuk, in the Inuvialuit Settlement Region of the Northwest Territories. Till and stream sampling in 2004 confirmed the presence of anomalous kimberlite indicator minerals.

Prior to the amalgamation with Talmora Diamond Inc., Canadian Diamind Limited applied for additional exploration permits and these were granted on February 1, 2007. At the 2007 year-end Talmora held 12 contiguous permits covering 645,718 acres. The three original permits expired January 31, 2008. However, claims were staked within the permit areas prior to the expiry date.

An airborne magnetic survey of the Company's three original permits and one of the adjoining permits awarded in 2007 was completed at the end of June, 2007. KIMs in samples subsequently taken down-ice of magnetic anomalies with the characteristics of kimberlite pipes were 37 times more abundant than those in samples collected on a random basis in 2004.

Four new permits (144,868 acres) were granted to Talmora on February 1, 2008 but on February 28, 2008 "The Sahtu Secretariat Inc." and a number of other "Applicants" in the Sahtu Settlement Region applied for a judicial review of the decision of the Supervising Mining Recorder to issue 60 prospecting permits within the Sahtu Settlement Region on February 1, 2008 including the 4 permits issued to Talmora Diamond Inc. The Minister Of Indian Affairs And Northern Development and the Supervising Mining Recorder opposed the application and a settlement was reached in March 2010.

Private placements in June and November 2009 enabled the Company to fly 865 line kilometers of airborne magnetics over potential kimberlite targets and to stake 125 claims (12,860.85 acres) between June 28 and July 13 on ground that came open February 1, 2009. Samples collected at the same time have been analysed for KIMs and add to the database. The same samples have been analysed by ICP for multiple elements and show Mg:Ca ratios (Mg 36.5% of combined Mg + Ca) lower than those found by Sanatana in tills down-ice of the Talmora property and ratios that would be expected from a dolomite source area.

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Geology

Most of the property is underlain by limestone of Ordovician age with a thin cover of glacial drift. A slump block of Cretaceous sediment outcrops in the NW part and Cretaceous sediment has been mapped in the SW.

An airborne magnetic survey shows a number of magnetic dyke-like structures that strike NNW across the property. The "dykes" appear to be at a depth of 600-800m and are parallel to and probably the extension of the swarm of "dykes" that cross the Parry Peninsular and cut the "large magnetic anomaly" being explored by Darnley Bay for base metals at Paulatuk 120k to the NNW. The latter "dykes" have a spatial relation to the Darnley Bay kimberlites.

Cu-Au-U Targets

Along one of the "dykes" on the west side of Talmora's property are 4 strongly magnetic circular structures or "blows" which have model widths of about 700-1300m and appear to be at the same depth as the "dyke". The "blows" may be related to the "dykes" in the same way that the "large magnetic anomaly" at Paulatuk may be related to the "dykes" at that location. The "blows" may be the feeder pipes of an intrusive similar to that which is believed to be the cause of the "large magnetic anomaly" at Paulatuk or of an extrusive that has subsequently been eroded.

Darnley Bay Resources has demonstrated that they have relatively shallow (300-500m) gravity anomalies above their deep magnetic anomaly suggesting that the gravity anomalies may be Olympic Dam type (U-Cu-Au) deposits. The magnetic "blows" on the Talmora property may be similarly capped by gravity anomalies indicating Olympic Dam targets and a gravity survey over the "blows" is recommended.

Kimberlite Targets
Anomalies of low magnetic susceptibility are of interest as kimberlite targets. Many of these anomalies coincide with small lakes and are concentrated along the “dykes” especially the “dyke” with the circular “blows”. Some of them were ground truthed in the field program carried out in the later half of August, 2007. The field program included staking of the kimberlite targets and sampling of the tills for kimberlite indicator minerals (KIMs) down-ice of the magnetic targets.

The KIMs recovered from samples collected in 2007, are very much more numerous (37 times) than the KIMs recovered from samples collected in 2004, which tested the same general area but were not located with respect to magnetic targets. There is a strong correlation between KIMs and magnetic anomalies.

Ground to the west of the Talmora property came open in February 2009. Ponds with similar characteristics to those with coincident magnetic anomalies and all lying within the same prominent morphostructure (mantle focused circular fracture) were obvious on the immediately adjacent open ground. A two week field program was carried out in June/July 2009.

A magnetic profile was flown across each of the characteristic ponds as well as across other less characteristic ponds further west outside the morphostructure. Many of the ponds show coincident magnetic anomalies. Samples were collected down-ice of a few of the ponds and 125 new claims were staked. Processing of samples and geophysical data is ongoing.

Sanatana’s 2006 assessment work south of 68^{o}N became public late in 2010. It enables the evaluation of 2,312 samples, mostly within the Cretaceous basin, west and south of the Talmora property which could be related to the Talmora property.

Diamondex showed that many if not all of the KIMs within the Cretaceous basin are derived from the base of the basin and that the KIMs most likely entered the basin from the east. The KIMs within the Diamondex and Sanatana parts of the Cretaceous basin show very little variation as if they are all from a single source.

The Talmora property and the Darnley Bay and Dharma kimberlites, to the N and SE of Talmora respectively, lie outside of the basin. The Darnley Bay KIMs are very different to those within the basin and the Dharma KIMs are su fficiently different that they cannot be the source of all those in the basin. Talmora’s oxide KIMs are identical to those in the basin and Talmora’s few eclogitic garnets and chrome diopsides are a good match. Talmora’s few pyrope garnets are too few to make a meaningful comparison. Talmora is the only property with drill targets that have not been drilled.

Magnetic anomalies that have anomalous KIMs down-ice will be tested by drilling and additional magnetic anomalies must be sampled. An airborne magnetic survey and reconnaissance sampling of the new permits should proceed at the same time. A more extensive program is required than any carried out by the company to date and a major funding is essential.

A program costing $2,000,000 - $4,000,000 should establish the potential of the new permits for hosting kimberlites and confirm whether or not kimberlites are present on the part of the property explored to date.

Budget

Staking 75,000 acres @ $2/acre (contract staker cost)	$150,000	
Data Processing & planning	100,000	
Drill Program		
Permitting cost	75,000	
Drilling 2500m @ 250/m	625,000	
Contract labour	135,000	
Camp construction	150,000	
Camp costs – labour & board	130,000	
Fuel	120,000	
Helicopter & fixed-wing – 3 months	560,000	
Accommodation & transport	120,000	
Ground geophysics	150,000	
Caustic laboratory	240,000	
Reports	20,000	
Contingency	175,000	
Total Drilling & Camp		$2,750,000
Airborne Magnetic Survey - 12,000 line kilometers		425,000
Sampling Program		
Transport – samples & personnel	45,000	
Camp costs	15,000	
Helicopter	120,000	
Sample processing & probing	150,000	
Expediting	5,000	
Contingency	40,000	
Total Sampling Program		375,000
Supervision & support		500,000
Total		**$4,050,000**

Micro-diamond analysis of any kimberlite discovered will determine whether further investigation is warranted in which case a budget in the order of $10,000,000 -$15,000,000 would be required.

Property Commitments

The Company at December 31, 2010 held thirteen prospecting permits (577,153 acres) and 175 claims (54,787 acres) in the Horton River area, south of Paulatuk in the Northwest Territories. Three of the permits (214,983 acres) and all of the claims are in the Inuvialuit Settlement Area and ten of the permits (362,170 acres) are in the adjoining Sahtu Settlement Area. All are on crown land.

The Crown owns both mineral and surface rights to the permit and claim areas, the exploration and exploitation of which is governed by the Canada Mining Regulations. Prospecting permits, claims, mining leases and work permits are dealt with under the Regulations. The Land Settlement Agreements deal with environmental matters, creates environmental agencies and related procedures, and provides the Inuvialuit and Sahtu with equal representation on the agencies. Those who conduct economic activity in the Region need their approval.

The permits require a deposit paid in advance, refundable when equivalent exploration work has been performed, of \$0.10/acre for the first work period, \$0.20/acre for the second work period and \$0.40/acre for the third work period. The first and second work periods are 2 years north of 68^{o}N latitude and 1 year south of 68^{o}N latitude. Areas of interest within the permits may be staked by the permit holder before the expiration of the permits but may not be staked by the permit holder for 1 year after the expiration of the permits.

Claims require assessment work of \$4.00/acre for the first two years and \$2.00/acre for each year thereafter.

Application made for credits for work done on the claims prior to 2009 amounting to \$36,669 has been approved, which together with excess credits will keep the claims in good standing until the dates shown in the table below. Additional credits will be available from work done in 2009.

The Company currently has performance deposits on the permits amounting to \$59,729.35 which will be refunded after an equal amount of work has been done. Refunds of previous deposits on 6 of the permits amounting to \$53,148.36 were received in 2008 after expenditures made in 2007 were accepted by the Mining Recorder. If no further work is done on the property performance deposits amounting to \$230,861.20 will be required to hold the current permits until their expiry dates shown below:

Property Units		Size acres	Record Date	Current Expiry Date
125	claims	12,860.85	Aug. 13, 2009	Aug.13, 2011
9	claims	23,242.50	Oct. 11, 2007	Oct. 11, 2013
10	claims	1,187.95	Oct. 11, 2007	Oct. 11, 2016
31	claims	17,495.70	Oct. 11, 2007	Oct. 11, 2017
175		54,787.00		

Property units	Size Acres	Future performance deposits/work	Grant date	Expiry date as at Dec. 31, 2010	Expiry date with future Deposits/work
Permit 7307 (5 year)	71,661	$28,664.40	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7306 (5 year)**	71,661	$28,664.40	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7305 (5 year)**	71,661	$28,664.40	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7311 (3 year)	36,217		Jan. 31, 2007	Jan. 31, 2012	
Permit 7309 (3 year)	36,217		Jan. 31, 2007	Jan. 31, 2012	
Permit 7308 (3 year)*	36,217	$14,486.80	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7310 (3 year)*	36,217	$14,486.80	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7312 (3 year)*	36,217	$14,486.80	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7313 (3 year)*	36,217	$14,486.80	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7618 (3 year)*	36,217	$21,730.20	Jan. 31, 2008	Jan. 31, 2011	Jan. 31, 2013
Permit 7619 (3 year)*	36,217	$21,730.20	Jan. 31, 2008	Jan. 31, 2011	Jan. 31, 2013
Permit 7620 (3 year)*	36,217	$21,730.20	Jan. 31, 2008	Jan. 31, 2011	Jan. 31, 2013
Permit 7621 (3 year)*	36,217	$21,730.20	Jan. 31, 2008	Jan. 31, 2011	Jan. 31, 2013
	Total	$230,861.20			

Note : * Subsequent to the year end a 1 year extension to January 31, 2012 without an additional cash deposit was granted on permits 7308, 7310, 7312, 7313, 7618, 7619, 7620 and 7621 in the Sahtu Settlement Area. The expiry dates of these permits in the above table are therefore extended one year. Further extensions are unlikely.
** Subsequent to the year end on January 31, 2011 permits 7305 and 7306 were allowed to lapse reducing the future performance deposits by $57,328.80. A cash deposit of $28,664.40 was made on permit 7307.

Contingencies

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

On February 28, 2008, the Sahtu Secretariat Inc. and a number of other applicants (collectively, the "Applicants") in the Sahtu Settlement Region applied for a judicial review of the decision of the Supervising Mining Recorder to issue 60 prospecting permits within the Sahtu Settlement Region on February 1, 2008. Four of the permits were those issued to Talmora. The Applicants claim that they were insufficiently consulted and accommodated by the Supervising Mining Recorder before the permits were issued. The Minister of Indian Affairs and Northern Development and the Supervising Mining Recorder opposed the application and a settlement was reached in March 2010.

Subsequent to December 31, 2009, the Company renounced flow-through expenditures in the amount of $264,500 to investors with an effective date of December 31, 2009. The Company has agreed to indemnify the subscribers of its flow-through shares for any tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments. As at December 31, 2010, all of the $264,500 renouncement related to 2009 has been incurred.

Subsequent to December 31, 2010, the Company renounced flow-through expenditures in the amount of $60,000 to investors with an effective date of December 31, 2010. Of this amount, no expenditures were incurred to December 31, 2010. The Company is committed to incur the balance of $60,000 prior to December 31, 2011 on a best efforts basis. The Company has agreed to indemnify the subscribers of its flow-through shares for any tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

Variance to Original Budget of M.Millard (2005)

	Budget M. Millard (2005)		**Actual R. Davies assessment work reports (2008 & 2009)**	
Phase 1 [minimum required to determine whether to continue to phase 2]				
Airborne survey	9000 line k @ $35	$315,000	10,196 line k	$352,258.59
Process 2004 fine fractions	120 @ $150	$18,000	117 fine fractions	$12,267.00
Claim staking	36 claims @ $1,000	$36,000	50 claims	$50,461.83
	Contingency @ 10%	$36,000		
Exploration sub-total		**$405,000**		**$414,987.42**
Administration		$100,000	2007 expenses	$169,778.00
	Total	**$505,000**		**$584,765.42**
Phase 2a [assumes encouragement from phase 1]				
Till sampling [follow-up, target evaluation]	200 samples @ $1000	$200,000	178 [target evaluation]	$316,403.30
Stream samples [follow-up]	50 @ $1500	$75,000		
Ground magnetic survey	8 targets @ $6,000	$48,000	10 anomalies	$25,130.73
	Contingency @ 20%	$32,000		
Exploration sub-total		**$355,000**		**$341,534.03**
Administration		$100,000	2008 expenses to Dec. 31	$148,946.00
	Total	**$455,000**		**$490,480.03**
Phase 2b [assumes continued encouragement]				
Drilling	4 targets @ $80,000	$320,000		
	Contingency @ 20%	$66,000		
Exploration sub-total		**$386,000**		
Administration		$50,000		
	Total	**$436,000**		
Exploration Total		**$1,146,000**		**$756,521.45**
Administration Total		$250,000		$318,724.00
Grand Total		**$1,396,000**		**$1,075,245**

	2009 Field Program on New Ground	
	Staking 125 claims	59,936
	Airborne magnetic survey – 865 line ks	99,525
	Sampling – 51 samples collected	189,665
Exploration sub-total		$349,126
Administration Expenses sub-total		$111,444

Total	$460,570
2010 Data Evaluation and Reporting	
Staking	32,581
Sample sorting and analysis	22,701
Geophysics	25,277
Exploration sub-total	80,585
Administration Expenses sub-total	$118,084
Total	$198,669
Grand Total (with 2010 Program)	$1,734,484

Phase 1 exploration costs were very much on budget with higher airborne survey cost due to higher line kilometers flown and higher staking cost due to greater number of claims staked.

Administration costs in 2007 were higher than budget because of the amalgamation of Talmora Resources Limited and Canadian Diamind Limited. [$44,762 legal, $30,000 accounting, $10,000 other].

Administration costs in 2008 were lower than in 2007 but are higher than budget. These costs reflect the real costs of administering the company.

As a result of the financial crisis of 2008 funds were not available for the drilling proposed as Phase 2b. However, funding in 2009 enabled Talmora to fly an airborne magnetic survey over potential kimberlite targets on new ground that came open February 1, 2009 and to stake 125 additional claims. Administration costs were down and at a normal level.

2010 exploration expenses include evaluation and reporting of sampling and geophysical surveys carried out the previous year. Included in staking is a $28,664 cash deposit required to hold permit 7307 until January 31, 2012. Administration costs in 2010 were again at a normal level.

There are a lot more kimberlite targets than expected and Talmora proposes a more extensive drill program than the small Phase 2b budget above.

Summary of Quarterly results for Talmora Diamond Inc

(a) Year	**2010**	**2010**	**2010**	**2010**
(b) Quarter Cash, Cash Equivalent	December 31 $145,311	September 30 $55,279	June 30 $118,839	March 31 $133,365
Working Capital	$135,962	$55,29	$83,519	$136,565
Interest Revenue	$756	$630	$81	-
Expenses	$14,297	$40,833	$44,982	$23,496
Mineral Exploration Expenditures	$46,352	$9,729	$14,212	10,292
Cash in (out) flow	$120,422	$6,050	($114,526)	($39,513)
Net Income (Loss)	$15,173	($40,203)	($44,901)	($23,496)
Net Income (Loss) (per share)	$0.0005	($0.0013)	($0.0013)	($0.0007)
Total Assets	$1,585,561	$1,468,020	$1,517,444	1,535,252
Total Liabilities	$35,410	$8,204	$39,117	$20,091

(a) Year	**2009**	**2009**	**2009**	**2009**
(b) Quarter Cash, Cash Equivalent	December 31 $172,878	September 30 $26,322	June 30 $16,997	March 31 $16,937
Short Term investments	$0	$0	$280,000	$30,000
Working Capital	$170,075	$42,110	$285,418	$41,105
Interest Revenue	$0	$432	$821	$1,768
Expenses	$48,301	$19,946	$34,486	$8,711
Mineral Exploration Expenditures	$99,988	$223,794	$20,552	$4,793
Cash in (out) flow	$146,556	$9,325	$60	($21,669)
Net (Loss)	($31,000)	($19,514)	(33.665)	($6,943)
Net (Loss) (per share)	($0.0009)	($0.0008)	($0.0014)	($0.0003)
Total Assets	$1,564,973	$1,289,936	$1,324,658	$1,065,268
Total Liabilities	$24,594	$10	$15,218	$20,693

The deferred mineral exploration costs in the fourth quarter 2010 were $46,352 ($9,729 in September 2010 quarter.) The uptick in exploration expenditures in the fourth quarter is essentially the $28,664 cash deposit on permit 7307. Expenses of $14,279 in the fourth quarter 2010, ($40,833 in the third quarter, $44,982 in the second quarter 2010) were down due to invoicing of normal expenses in comparison to the third and second quarters of 2010 when expenses were up due to delayed invoicing of normal expenses. The net income of $15,173 for the fourth quarter ($40,203 loss in the third quarter, $44,901 loss for the June 30, 2010 quarter) reflects a decrease in administrative expenses and a $29,425 adjustment for income tax recovery for the period. The balance sheet shows a increase in working capital from $55,279 as at September 30, 2010 to $135,962 as at December 31, 2010 due to inflow of funds from the December 28, 2010 Private Placement of $165,000.

Liquidity

The Company is a development stage company as defined by CICA Accounting Guideline 11 “Enterprises in the Development Stage” and currently has interests in exploration and development properties in Canada. Substantially all of the Company’s efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves, which are economically recoverable

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Financing

Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses. If such financing is unavailable for any reason, Talmora may become unable to carry out its business plan. Talmora intends to fund all future commitments with cash on hand, or through any other financing alternative it may have available to it at the time in question. As Talmora has no business undertaking, there can be no assurance that it will be profitable. In the interim, Talmora has no source of cash flow to fund its expenditures and its continued existence depends on its ability to raise further financing for working capital as the need may arise. The length of time needed to identify a new business, is indeterminate and the amount of resulting income, if any, is impossible to predict. Talmora does not expect to receive any income in the foreseeable future.

Talmora’s success is dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive business opportunities.

Other than as discussed herein, Talmora is not aware of any trends, demands, commitments, events or uncertainties that may result in the Talmora’s liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in Talmora’s liquidity and capital resources will be substantially determined by the success or failure of any new proposed business of Talmora and its ability to obtain equity financing.
The continuing global financial uncertainty through 2009 and 2010 is making a major funding at this time difficult and would dilute current shareholders heavily. A small private placement of $305,929 to cover administrative expenses and to carry out a limited field exploration program was completed in June 2009. Another private placement of $289,459 to cover administration expenses into the new

year and to process samples and geophysical data was completed in early November, 2009. A small private placement of $165,000 to cover administration and exploration in early 2011 was completed in December 2010. The Company will concentrate on maintaining the property in good standing until funding of a drill program is achieved.

As at December 31, 2010 there are 36,982,679 common shares issued and outstanding. 10,653,872 common shares subject to issuance are comprised of 7,603,872 warrants and 3,050,000 management incentive options.

a) 3,059,286 June 2009*, (Series IV)* warrants entitle the holder to acquire one common share per warrant for $0.16 and expire June 04, 2011.

b) 2,894,586 November 2009, *(Series V)* warrants entitle the holder to acquire one common share per warrant for $0.16 and expire November 13, 2011.

c) 1,650,000 December 2010, (Series VI) warrants entitle the holder to acquire one common share per warrant for $0.16 and expire December 29, 2012.

d) The 1,600,000 management incentive options (No.1) are exercisable at $0.10 and expire April 25, 2012.

   The 50,000 management incentive options (No.2) are exercisable at $0.05 and expire March 1, 2015.

   The 1,400,000 management incentive options (No.3) are exercisable at $0.05 and expire June 9, 2015.

e) During the year ended December 31, 2009, 650,000 April 2007 *(Series II)* warrants exercisable at $0.16 per share and 2,040,000 December 2007 *(Series III)* warrants exercisable at $0.20 per share, expired unexercised.

An analysis of the liquidity of Talmora Diamond Inc. is provided below:

Talmora had cash and cash equivalents and short term investments in the amount of $145,311 as at December 31, 2010, compared to $55,720 as at September 30, 2010; $118,839 as at June 30, 2010; $133,365 as at March 31, 2010. This reflects the influx of funds from the December 2010 Private Placement of $165,000.

As at December 31, 2010, Talmora had a working capital in the amount of $135,962 compared to the September 30, 2010, amount of $55,270; $83,519 as of June 30, 2010; and $136,565 as of March 31, 2010. The reduction in working capital is essentially the cost of administering the company.

There were interest revenues of $756 for the quarter ending December 31, 2010 compared to interest revenues during Q3 of $630, in Q2 $81; and $Nil in Q1 as cash on hand was invested. This compares to $Nil for the quarter ending December 2009, $432 for the quarter ending September 30, 2009, $821 for the quarter ending June 30, 2009, and $1,768 for the quarter ending March 31, 2009 and reflects current low interest rates and expenditure on the field program soon after receipt of the funds.

Administrative expenses (including bank charges and stock based compensation) for the quarter ending December 31, 2010 were $14,297. This is compared toQ3 charges of $40,833; $44,982 during Q2; and $23,496 during Q1. These expenses compare favourably to the 2009 amounts of $48,301 for the quarter ending December 31; $19,946 for September 30; $34,486 for June 30, 2009 and $8,711 for March 31. Total expenses of $123,608 for all of 2010 compare favourably to the 2009 total of $111,444 and are thus in line with past annual expenses.

The net cash increase for the quarter ended December 31, 2010, was $120,422. This compares to an increase of $6,050 for the quarter ended September 30; a net outflow of $114,526 for the quarter ended June 30; and a net outflow of $39,513 for the quarter ended March 31. These amounts reflect the net effect of cash flows for normal administrative expenses and exploration costs and from offset, from a by cash inflow of $69,619 from the redemption of the $100,000 GIC established in the previous quarter and $165,000 proceeds from the December 2010 placement.

Deferred mineral exploration cost for the quarter ended December 31, 2010, were $46,352. The increase, as compared to expenditures of $9,729 for the quarter ended September 30 are up due to the reporting and recording of previously incurred expenditures. Expenditures for the quarter ended June 30 totalled $14,212 and for the quarter ended March 31 they were $10,292.

Overall December 2010 quarter expenditures are down from $99,988 for the December quarter of 2009, are down from $223,794 for the 2009 third quarter but together constitute the costs of the June/July, 2009 field program and are compared to the field program preparation costs of $20,551 for the quarter ending June 30, 2009 and $4,793 for the quarter ending March 31, 2009.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities. The December 2010 financing will maintain the Company through the middle of 2011.

On June 3, 2009, the Company closed a private placement financing for 3,318,571 non-flow-through units and 2,800,000 flow-through units at a price of $0.05 per unit for total gross proceeds of $305,929. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will be exercisable at $0.16 per common share until June 3, 2011. The warrants issued as part of a flow-through unit are exercisable into flow-through shares (Series IV).

The grant date fair value of the warrants of $40,383 or $0.01 per whole warrant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116%; risk free interest rate of 2.25%; and expected life of two years.

In connection with the financing the Company paid $7,400 in finders' and consultants fees and $5,688 in legal fees of which $1,850 was allocated to the warrants.

On November 12, 2009 the Company closed a private placement financing for 3,299,173 non-flow-through units and 2,490,000 flow-through units at price of $0.05 per unit for total gross proceeds of $289,459. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable at $0.16 per common share until November 12, 2011. The warrants issued as part of a flow-through unit are exercisable into flow-through shares. (Series V).

The grant date fair value of the warrants of $38,209 or $0.01 per whole warrant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116%; risk free interest rate of 2.25%; and expected life of two years.

In connection with the financing the Company paid $3,000 in finders' fees and legal fees of $4,516 of which $750 was allocated to the warrants.

On December 28, 2010, the Company closed a private placement financing for 2,100,000 non-flow-through units and 1,200,000 flow-through units at price of $0.05 per unit for total gross proceeds of $165,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable at $0.16 per common share until December 28, 2012. *(Series VI)*

The grant date fair value of the warrants of $16,300 or $0.01 per whole warrant, was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97%; risk free interest rate of 1.69%; and expected life of two years.

In connection with the financing, the Company incurred legal fees of $1,200.

During the year ended December 31, 2010, the Company renounced flow-through expenditures in the amount of $264,500 with respect to flow-through financings that occurred during the year ended December 31, 2009, creating a future income tax liability of $66,125, of which $46,475 was allocated as a cost of issuing the flow-through shares and $19,650 was allocated as a cost of issuing warrants.

Subsequent to December 31, 2010, the Company renounced flow-through expenditures in the amount of $60,000 to investors with an effective date of December 31, 2010. Of this amount, no expenditures were incurred to December 31, 2010. The Company is committed to incur the balance of $60,000 prior to December 31, 2011 on a best efforts basis. The Company has agreed to indemnify the subscribers of its flow-through shares for any tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

Options

The Company has a stock option plan under which officers, directors, employees, and consultants are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan may not exceed 10% of the outstanding shares of the Company. Options granted under the plan generally have a term of five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is fixed by the board of directors but shall not be less than the price permitted by any stock exchange on which the Company's common shares may be listed which is generally the trading price of the Company's stock at or about the grant date of the options.

A summary of changes in stock options is as follows:

	Options #	Weighted Average Exercise Price $
Balance, December 31, 2008 and 2009	1,600,000	0.10
Granted March 31, 2010	50,000	0.05
Granted June 30, 2010	1,400,000	0.05
Balance, December 31, 2010	3,050,000	

As at December 31. 2010 the following options were issued and outstanding

Options Granted #	Options Exercisable $	Exercise Price $	Expiry date	Remaining Contractual Life (years)
1,600,000	1,600,000	0.10	April 25, 2012	1.32
50,000	42,154	0.05	March 1, 2015	4.16
1,400,000	964,861	0.05	June 9, 2015	4.44
3,050,000	2,607,015			2.80

On March 1, 2010, the Company granted stock options to a consultant to acquire 50,000 common shares of the Company at an exercise price of $0.05 per share, which expire on March 1, 2015 and vest as to 16.67% every three months beginning June 2010 and ending September 2011.

On June 9, 2010, the Company granted stock options to directors, officers and consultants to acquire 1,400,000 common shares of the Company at an exercise price of $0.05 per share, which expire on June 9, 2015 and vest as to 16.67% every three months beginning September 2010 and ending December 2011.

The weighted average grant date fair value of the options issued during the year ended December 31, 2010 is $0.055 (2009 - $Nil). The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 105%; risk free interest rate of 2.65%; and expected life of five years.

Contributed Surplus

	Amount $
Balance, December 31, 2008 and 2009	296,850
Employee stock based compensation	5,293
Non-employee stock based compensation	231
Balance, December 31, 2010	302,374

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, administration expenses of $72,696 (2009 - $65,327) of which $9,542 (2009 - $6,991) was for out-of-pocket expenses, were charged by two officers of the Company, one of whom is also a director of the Company.

During the year ended December 31, 2010, deferred mineral exploration costs of $14,261 (2009 - $65,121) was charged for services provided by a director and officer of the Company and one officer of the Company. Of this amount, $180 (2009 - $27,258) was for out-of-pocket expenses at cost.

During the year ended December 31, 2010, deferred mineral exploration costs of $23,846 (2009 - $69,702) of which $3,521 (2009 - $13,227) was for out-of-pocket expenses, was paid to a corporation of which a director and officer of the Company holds a significant interest.

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended December 31, 2010, a director and officers of the Company subscribed for 1,280,000 non-flow-through units and 440,000 flow-through units for gross proceeds of $86,000 pursuant to the private placement described in Note 6(b)(iii). A director and an officer of the Company subscribed for 440,000 non-flow-through units for gross proceeds of $22,000 pursuant to the private placement. *(Series VI)*

During the year ended December 31, 2010, a corporation of which a director and officer of the Company holds a significant interest subscribed for 100,000 non-flow-through units for gross proceeds of $5,000 pursuant to the private placement. *(Series VI)*

Subsequent Events

The dispute between the Mining Recorder and the Sahtu regarding four of the Company's prospecting permits was settled in March 2010. However, because of the dispute the Mining Recorder granted Talmora Diamond Inc. a third one year extension on eight permits 7308, 7310, 7312, 7313, 7618, 7619, 7620 and 7621 in the Sahtu Settlement Area on the permits the Company holds in the Sahtu Settlement Area. Two permits 7309 and 7311 not granted extensions already have credits and will now expire January 31, 2012.

A performance deposit of $28,664.40 was submitted on one of the three permits (7307) in the Inuvialuit Settlement Region and the remaining two were permitted to lapse. The deposit is expected to be refunded after assessment work done in 2009 is reported later this year.

Changes in Accouning Policies including Initial Adoption

New Accounting Pronouncements:

There are no new accounting pronouncements adopted during fiscal 2010.

Future Accounting Pronouncements:

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. As a result, the Company will report under IFRS starting with the interim period ending March 31, 2011, with restatement for comparative purposes of amounts reported under Canadian GAAP.

IFRS PROJECT UPDATE

The Company's IFRS conversion plan consists of three phases: Scoping and Diagnostic; Detailed Evaluation; and Implementation and Review. The Scoping and Diagnostic phase included the completion of a high-level impact assessment to identify key areas that may be affected by the conversion and the development of a detailed implementation plan. The Detailed Evaluation phase included a detailed analysis of the IFRS – Canadian GAAP differences and accounting policy choices under IFRS, and the initial assessment of the nonfinancial reporting related impacts. The Scoping phase has been completed.

The Diagnostic and Detailed Evaluation and Implementation and Review phases are in progress and will be completed in the first quarter of 2011, in time for filing of the March 31, 2011 interim financial statements.

Based on the work completed to date, the transition to IFRS is not expected to result in significant impacts to the Company's business activities or its covenants, capital requirements or compensation arrangements. The transition did not result in significant changes to key controls during or after the transition to IFRS. The training of finance personnel is ongoing.

The International Accounting Standards Board, responsible for the development and publication of IFRS, has a significant number of projects underway, many of which could impact the differences between Canadian GAAP and IFRS applicable to the Company. Changes in IFRS could result in additional adjustments and/or changes to the adjustments currently being recognized in the IFRS opening balance sheet. Accordingly, the Company continues to monitor and evaluate changes in IFRS, and to update the conversion plan as required.

The Company has identified several areas where potential differences between Canadian GAAP and IFRS could result in changes to the amounts reported by the Company in its financial statements. While the quantification of these potential changes has not yet been finalized, the areas where the changes are most anticipated include:

Share-based payments

While there is convergence between IFRS and Canadian GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under Canadian GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike Canadian GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock based compensation expense. Canadian GAAP also allows the vesting of employee stock options to be recognized to operations on a straight-line basis whereas IFRS requires the use of a graded vesting model.

Exploration Expenditures

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may choose to defer on the balance sheet nearly all exploration and evaluation expenditures or recognize all such expenditures in operations as incurred. IFRS currently allows an entity to retain its existing accounting policies related to the exploration and evaluation of mineral properties, subject to some restrictions.

Flow-through Shares

Under Canadian GAAP, the accounting treatment of flow-through shares is addressed by EIC 146 "Flow-Through Shares". IAS 12 contains no specific guidance on the appropriate accounting for flow-through shares. The Company will review the recognition and timing of future income taxes relating to flow-through renunciations to investors under IFRS.

IFRS 1, First-Time Adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. Prior to reporting the first IFRS compliant financial statements for the quarter ending March 31, 2011, the Company may decide to apply certain exemptions contained in IFRS 1.

Business Combinations

CICA Handbook Section 1582, “Business Combinations”, replaces Section 1581, “Business Combinations”, and provides the Canadian equivalent to International Financial Reporting Standards 3 – “Business Combinations”. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be re-measured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company plans to adopt this standard on January 1, 2011, though no impact on adoption of this standard is expected based on the Company’s current financial statements.

Consolidated Financial Statements and Non-Controlling Interests

CICA Handbook Sections 1601, “Consolidated financial statements”, and 1602, “Non-Controlling Interests”, replace Section 1600, “Consolidated Financial Statements”. Section 1602 provides the Canadian equivalent to International Accounting Standard 27, “Consolidated and Separate Financial Statements”, for non-controlling interests. The Company plans to adopt this standard on January 1, 2011, though no impact on adoption of this standard is expected based on the Company’s current financial statements.

Consolidated Financial Statements and Non-Controlling Interests

CICA Handbook Sections 1601, “Consolidated financial statements”, and 1602, “Non-Controlling Interests”, replace Section 1600, “Consolidated Financial Statements”. Section 1602 provides the Canadian equivalent to International Accounting Standard 27, “Consolidated and Separate Financial Statements”, for non-controlling interests. The Company plans to adopt this standard on January 1, 2011, though no impact on adoption of this standard is expected based on the Company’s current financial statements.

Other Accounting Notes

Critical Accounting Estimates

In the resource exploration sector, critical accounting estimates used in the preparation of the financial statements would include the Company’s estimate of recoverable value of its mineral properties, related deferred exploration expenditures and asset retirement obligations as well as the value of warrants, future tax assets and liabilities and stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company’s control.

The Company’s recoverability of its recorded value of its mineral properties and associated deferred exploration expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors, including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model. However, the future volatility is uncertain and the model has its limitations.

Disclosure Controls

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. They are assisted in this responsibility by the Chairperson of the Audit Committee who serves as an independent director of the Company. All three individuals sit on the Company's Disclosure Policy Committee ("DPC"). The Disclosure Policy requires all staff to keep the DPC fully apprised of all material information affecting the Company so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information by the DPC is facilitated by the small size of the Company's senior management.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2010, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would have been known to them.

Management's Responsibility for Financial Statements

The information provided in this Management Discussion and Analysis, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Sensitivity Analysis

As at December 31, 2010 the carrying and fair value amounts of the Company's financial instruments are approximately the same. The Company does not anticipate any material fluctuations as a result of changes in interest or foreign currency rates.

Financial Instruments and Other Instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as “held-for-trading” or “available-for-sale” financial assets, and “held-to-maturity”, “loans and receivables” or “other” financial liabilities.

Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net loss for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet or impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net loss for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

The Company has cash equivalent balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Currently, the Company does not hedge against interest rate risk.

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

The Company does not hedge against any other risks.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-Balance Sheet arrangements.